

such as access roads or playing fields in return for development permission. The question will then arise: why only tax those values that accrue from planning permission? Would it not in the end be simpler as well as fairer to tax land values in general?

No one should underestimate the hue and cry that the idea of a land tax - which would have to be brought in gradually - would provoke from thousands of vested interests. But this only makes it all the more desirable for advocates of this tax to avoid promising the moon and link up with the general economic debate rather than forming a cult.

## Harrison on Good Morning Scotland

**BBC Radio Scotland**  
6<sup>th</sup> April 2005

**SANDY MURRAY:** The latest survey of the housing market from Halifax Bank of Scotland suggests prices levelling off. But the annual rate of increase remains over 9%, which indicates that homeowners have little to worry about. Those in the property market - mortgage lenders, estate agents - like to talk of a soft landing in the years to come, the idea that prices will gradually ease off without causing anyone much pain. But could they be wrong? One man who thinks so is Fred Harrison, author of a book just out called *Boom Bust: House Prices, Banking and the Depression of 2010*. As part of the potentially gloomy picture painted in the book, £800b is wiped off the UK's housing stock. Fred Harrison joins us now - good morning to you.

**FRED HARRISON:** Good morning Sandy.

**SM:** Why is it that you think a fall in property values is likely?

**FH:** Well, I'm not forecasting that it will happen immediately. In fact, the theory I have been able to develop of the property cycle indicates that there will be growth for at least another couple of years - but the Scottish economy is actually headed towards a precipice because prices are actually rising very strenuously. You can talk to people who want to buy houses in Scotland - particularly in Edinburgh - and they will tell you that in order to buy a home they are having to bid 15 or 20% more than the asking price. And under your closed bidding arrangements this is a scary process. But the Scottish economy is linked to the UK economy as a whole and we can expect the current pause in prices in the south of England to recover after the election. The turning point will be towards the end of 2007, which is when the property cycle will have exhausted itself, and beyond that we will see the market go dead and the economy then start to suffer severely.

**SM:** So when this happens, what's it going to mean for the average Mr and Mrs Modest living in a semi?

**FH:** Well, if you're not going to sell your home because you don't have to, and if your job is secure, then very little will happen. But there will be many people who will be under

great pressure. They will have overstretched themselves with their mortgages because they bought their house in the last year or two, or will to do so in the next year or two, and they will suffer severe negative equity. And those who lose their jobs will discover they can't finance their mortgages and they will have their homes repossessed.

**SM:** The soft landing option I mentioned in the introduction - essentially people talk about there being little or no rises in prices for a few years, and that sorts out any problems in the market - why does that seem to you to be unlikely?

**FH:** Gordon Brown has said that the recent period of stability is unique over the course of 300 years. I've looked at the history of the last 300 years, and there has never been an occasion where prices have gone as high as they have done in recent times without there then being a savage collapse. It's never happened. So those who are predicting a soft landing are doing so through wishful thinking and a failure to apply a coherent theory of the property cycle which actually tells it as it really is.

**SM:** It sounds pretty bad if you're right. Could anything be done to avoid this recession?

**FH:** If the Chancellor after May the 5th suddenly proposed a restructuring of the tax system - one which said let's stop penalising people from working, let's get rid of taxes that are punishing people for working, saving and investing and instead raise revenue for the money we pay for the price of use of land, that would have a dramatic effect on the property market, in the expectations and in the ways that people invest their incomes. It would, in fact, stabilise the economy and lead to considerable increase in productivity and growth. But is that likely to happen? I'm afraid not. And consequently I do not believe that there is much to be done to avoid the quite gloomy prediction that you quite rightly say is contained in my book.

**SM:** For individuals, if this recession is coming, is there anything we can do to protect ourselves?

**FH:** Yes. For a start, even those who don't intend to buy a house or need to sell in the next year or two, they should be very careful about sinking into debt. Under Gordon Brown, I'm afraid to say, families have been allowed to go into personal debt to the tune of over one trillion pounds in the UK. Now, interest rates are going to go up and many people are not going to be able to service those debts. So avoid running up debts and in fact try and reduce them. And for those who need to buy houses over the next couple of years, be extremely careful; do not overbid in your purchases because otherwise you will end up in negative equity and the prospect of losing your home.

**SM:** Thanks very much for coming in and sharing your ideas with us this morning - I do hope you're wrong. That's Fred Harrison, he's the author of the book *Boom Bust*. And that's today's business news.

## Wetzel on the PM Programme

**BBC Radio 4**  
4<sup>th</sup> May 2005

**PRESENTER:** It's the final instalment in our series on radical ideas that are unlikely to be government policy after the election. Today, Dave Wetzel who chairs the Professional Land Reform Group makes the case for land tax.

**DAVE WETZEL:** Every human activity requires land. A free gift of Mother Nature. Land values are created by all of our activities. Social and economic, public and private. If we all create this rising land wealth, where is it going? Who is getting it? As taxpayers we fund motorways, improve schools and other services that award adjacent landowners with huge unearned - and untaxed - bonuses. Governments tax wages, homes, shopping, transport, and almost everything we buy. If they could, no doubt they would also tax marital sex. And yet, no government has ever taxed that unearned wealth which accrues to landowners but which we all create. By not taxing land, our government gives more importance to the speculators' interests than to the wider community's needs. Here we are in Mayfair, at the heart of central London, where most of the land is owned by one man - the Duke of Westminster. He, and others like him, are able to charge businesses and individuals huge ground rents for the use of this land. Land that has no cost of production, as it's a free gift from Mother Nature. With a land value tax, applied annually, the natural wealth of land can be used to provide better schools and hospitals. And the taxes we deplore, and which damage our economy, like council tax, income tax and VAT, could all be cut. Isn't it time we all demanded our fair share of the unearned benefits that derive from land ownership? The land that our forefathers fought for.

## Tax land instead

Joe Casey  
**Washington Post**  
1st January 2005

As Walter Rybeck said [letters, Dec. 21], we have a land crunch, not a housing crunch. Certainly, landowners love to see their property values skyrocket, but this is devastating to people who do not own land and who pay rent, and that includes all of the next generation who will not inherit a land fortune.

The District has the authority to tax land, but it prefers to hit income, buildings, sales, etc. A land tax could make every home and office tax-free and let landowners pay for the hyperinflation they enjoy. Virginia has \$136 billion in taxable land (as of 2001), and the value is 90 percent urban. A 1 percent land tax would raise more than a billion dollars annually for transportation or other needs; a 3 percent tax could replace all real estate taxes.